



**State of New Jersey**  
**Board of Public Utilities**  
Two Gateway Center  
Newark, NJ 07102  
[www.bpu.state.nj.us](http://www.bpu.state.nj.us)

**ENERGY**

IN THE MATTER OF THE ESTABLISHMENT OF  
A UNIVERSAL SERVICE FUND PURSUANT TO  
SECTION 12 OF THE ELECTRIC DISCOUNT  
AND ENERGY COMPETITION ACT OF 1999

ORDER TO ADJUST USF GAS  
BENEFITS FOR USF ENROLLEES  
CALCULATED PRIOR TO  
DECEMBER 15, 2005 RATE  
INCREASE

DOCKET NO. EX00020091

(SERVICE LIST ATTACHED)

BY THE BOARD<sup>1</sup>

The Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49 et seq. ("EDECA" or "the Act") provided that the Board of Public Utilities ("Board") should establish a non-lapsing Universal Service Fund (USF) to assist low income consumers with the payment of electric and gas bills.

In a letter dated January 13, 2006 AARP, New Jersey Citizen Action, and Legal Services of New Jersey (collectively referred to herein as "Signatories") requested that the Board President, Jeanne Fox, provide administrative direction to the USF Program Administrator to recalculate the natural gas USF benefits provided to all USF customers who were enrolled as of December 14, 2005, and screen for USF eligibility all current USF beneficiaries and all LIHEAP applicants for the November 1-December 14, 2005 period. Utilities responded via an E-mail as to the viability of implementing the adjustments recommended by the letter, as well as other implementation alternatives. Ratepayer Advocate also sought Board review of the issues presented by the Signatories. Staff recommended the Board treat the above-referenced letter as a motion to adjust USF gas benefits and grant the relief sought.

On December 14, 2005, in BPU Docket No. GRO5060488 the Board voted to approve rate increases for all four of the State's gas utilities: Public Service Gas and Electric Company ("PSE&G"), New Jersey Natural Gas ("NJNG"), Elizabethtown Gas Company ("E-Town"), and South Jersey Gas Company ("SJG"). In conjunction with that proceeding, all four gas utilities filed emergent motions requesting that the Board approve an increase in each Company's Basic Gas Supply Service ("BGSS") charge for all applicable service classifications. The utilities

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<sup>1</sup> Commissioner Connie O. Hughes dissented from this decision.

requested the increase on a provisional basis, effective December 14, 2005, in lieu of the self-implementing price increase of up to 5% that otherwise was available to them. Each gas utility cited a significant and unprecedented increase in the commodity price of gas since the submission of its prior filings. In accordance with those motions, the Board granted rate increases for each gas utility.<sup>2</sup>

The Signatories proposed that the Board correct 'unintended inequities in USF benefits' resulting from the significant natural gas price increases that the Board approved on December 14, 2005, noting that these rate increases were not taken into account in determining the affordability of natural gas service for households enrolled in USF prior to this date. The letter further argued that because these rate increases were not taken into effect in the calculation, those recipients whose benefits had been calculated prior to the rate increase are most likely paying more than the targeted percentage of income considered 'affordable' under the original design of the program.

The letter stated that approximately 90,000 current enrollees may have been adversely affected as well as an estimated additional 5,324 households found ineligible for a USF natural gas benefit under the prior rates that would qualify for USF if the new rates served as the basis for the energy burden calculation. Together, the cost of a benefits adjustment would be approximately \$7.5 million for current enrollees (not counting Lifeline recipients) and \$325,000 for those USF applicants previously found ineligible under the previous rates who would qualify under the new benefit calculation based on an updated rate, assuming these customers continue to receive service for the balance of their program year. Staff confirmed these estimates with the Department of Human Services ("DHS").

Staff recommends that Board direct DHS and utilities to adjust the USF gas benefit for all current USF enrollees that had their gas benefit calculated on or before the December 14, 2005 rate increase. Such adjustment should reflect an energy burden calculation based on the rates in effect as of December 15, 2005. As to the USF applicants screened prior to the December 14, 2005 rate increase, but found ineligible for USF, Staff recommends that USF applicants which had applied between November 1, 2005 and December 15, 2005 and that had been previously rejected based on energy burden calculations premised on a rate in effect prior to December 14, 2005 be re-screened for eligibility, based on rates in effect as of December 15, 2005. Staff also recommended that the Board direct Staff to work with utilities, DHS, and the Office of Information Technology ("OIT") through the USF Technical Group to effect such adjustment and limited re-screening as expeditiously as possible and report back to the Board at its February 22, 2006 Agenda Meeting as to the status of implementation.

## **FINDINGS AND ORDER**

The Board **HEREBY FINDS**, based on emergent motions filed by all four of the State's gas utilities, that the unusual occurrence of unprecedented double-digit rate increases had significant impacts on the USF-eligible population. The Board **HEREBY FINDS** that it is necessary and appropriate to grant a one-time adjustment in the gas benefits calculation for

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<sup>2</sup> PSE&G 15.4%; E-Town, 22.9%; NJN 23.2%; and SJG 24.3%

those USF enrollees whose benefits had been calculated prior to the December 14, 2005 rate increases. After review of the letter and replies, and in light of Staff's recommendation, the Board HEREBY GRANTS the motion submitted by the aforementioned Signatories.

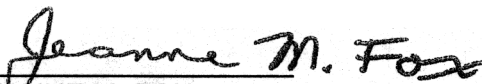
The Board HEREBY AFFIRMS that the USF benefit is to remain a 12-month benefit, calculated once per year, with no requirement that a benefit be recalculated based on a rate increase that occurs subsequent to the initial benefit determination. The Board HEREBY AFFIRMS that the adjusted benefit does not commence a new 12-month benefit year. The Board HEREBY RESERVES its right to reassess and modify eligibility requirements and appropriate benefit levels on an on-going basis.

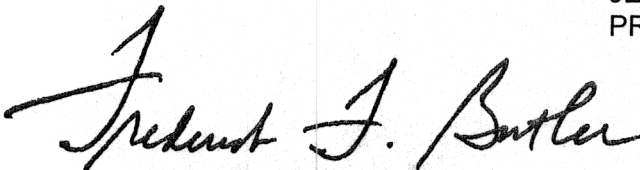
The Board HEREBY ORDERS each of the State's four gas utilities to adjust USF gas benefits for all current USF enrollees whose USF gas benefits were calculated prior to the December 14, 2005 rate increase. The Board HEREBY DIRECTS that the adjusted benefit amount be based on the rate in effect as of December 15, 2005 and that the benefit be adjusted only for the months that remain within the original 12-month benefit year assigned to that particular USF enrollee. The Board HEREBY DIRECTS DHS, through its USF Program Administrator, to re-screen recent USF applicants previously rejected for USF under an earlier rate, based on the rates in effect on December 15, 2005. The applicants to be re-screened for USF eligibility are all LIHEAP applicants for the November 1-December 14, 2005 period. For USF customers enrolled after December 15, 2005, the Board HEREBY ORDERS each utility to calculate those USF customers based on the rates that went into effect on December 15, 2005. The Board HEREBY DIRECTS Staff to work with the four gas utilities, DHS, and OIT, through the USF Technical Group, to effect such adjustment. The Board HEREBY DIRECTS Staff to ensure the benefit adjustments are carried out as expeditiously as possible and FURTHER DIRECTS Staff to ensure USF benefit adjustments reflects any interim rate adjustments or credits awarded between the time of the rate increase and the time of this Board-ordered USF adjustment, such that USF customers are not over-credited.

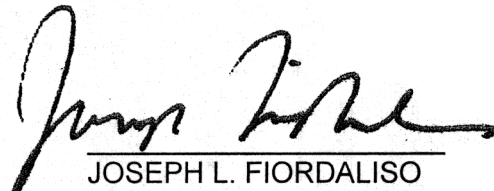
The Board HEREBY DIRECTS Staff to report back to the Board at its February 22, 2006 as to the status of implementation.

DATED: 2/15/06

BOARD OF PUBLIC UTILITIES  
BY:

  
JEANNE M. FOX  
PRESIDENT

  
FREDERICK F. BUTLER  
COMMISSIONER

  
JOSEPH L. FIORDALISO  
COMMISSIONER

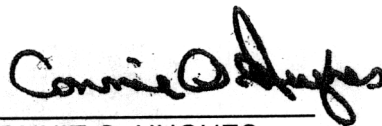
DISSENTING OPINION OF COMMISSIONER CONNIE O. HUGHES

I am compassionate about the needs of our State's most vulnerable residents and remain supportive of innovative state-based energy assistance programs. I have supported the Universal Service Fund Program in the past, through prior Board Orders, and remain committed to the Program. I deeply appreciate the efforts of the utilities, advocacy groups and our sister state agencies to launch and maintain this innovative program. However, this one-time adjustment comes on the heels of a prior shared commitment by the Board to evaluate the program holistically, upon the completion of a forthcoming independent program evaluation.

The program evaluation is designed to provide the Board with the information and tools necessary to assess the effectiveness of the current program so the Board can make careful decisions about the Program's future direction, balancing many ratepayer interests in the process. Previously in this matter, the Board granted a reinstatement of benefits to ensure that USF recipients whose benefits were scheduled to expire were retained in the program. Other aspects of the program have been continually updated and modified, often times, to accommodate the most pressing issue of the day. With each mid-stream change, we deprive ourselves of the opportunity to view the program as a whole and maximize ratepayer funds to ensure the Program's effectiveness.

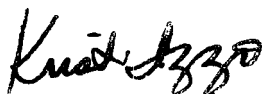
The costs of the program more than tripled from year one (\$30m), to year two (\$113m) – and we have not yet been able to assess the costs for this year. The \$8 million estimate for these adjustments is not insignificant. Furthermore, the majority of USF enrollees who will have their gas benefits adjusted pursuant to this order already received a benefit and are protected from shut-off through the Winter Termination Program. We have not deprived any current enrollee of a benefit and to be fair to all ratepayers who subsidize the program, we must evaluate the program as a whole before expending additional sums. Furthermore, the timing and manner in which this issue has been raised, in my view, prevent the Board from making an informed choice as to the true cost of this decision. The cost must be measured not only in dollars, but time, resources, and focus on key priorities, in light of the Program's goals as a whole.

Therefore I reaffirm my commitment to funding and effectively managing the Program, but dissent from the Board's decision to adjust gas benefits as a one-time decision for the reasons set forth above.



CONNIE O. HUGHES  
COMMISSIONER

ATTEST:



KRISTI IZZO  
SECRETARY

I HEREBY CERTIFY that the within  
document is a true copy of the original  
in the files of the Board of Public  
Utilities

